

Goodrich Control Systems

**Annual Report
for the year ended 31 December 2023**

Registered number: 04482312

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Goodrich Control Systems

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Goodrich Control Systems

Strategic Report for the year ended 31 December 2023

The directors present their Strategic Report for the company for the year ended 31 December 2023.

The directors, in preparing this strategic report, have complied with s414C(11) of the Companies Act 2006.

Goodrich Control Systems is principally involved in the design, manufacture and supply of advanced technology systems, products and services to the world's aerospace industry.

The Company is based in the UK and its registered office is Fore 1, Fore Business Park, Huskisson Way, Stratford Road, Shirley, Solihull, West Midlands, B90 4SS.

At 31 December 2023 the company was a subsidiary of RTX Corporation.

Review of the business and Key performance indicators

The key financial and other performance indicators during the year were as follows:

	2023 £'000	2022 £'000	Change %
Turnover	359,389	190,928	88.2
Company operating profit	232,840	77,375	200.9
Profit for the financial year	226,968	73,849	207.3
Total shareholders' funds	420,397	747,083	(43.7)
Current assets as % of current liabilities	422%	681%	
Average number of employees	630	542	

A Goodrich claim for breach of the company's aftermarket operating agreements, which existed at 31 December 2022, against a customer, found that the customer was required to pay £89,000,000 (\$112,285,440) and post judgement interest of £767,000 (\$975,192). This was paid to the company in August 2023.

This was disclosed in the 2022 accounts as a contingent asset as it was subject to appeal. In December 2023, as part of a settlement agreement signed with the customer, the right to appeal was waived. As the settlement amounts related to contractual revenues of which the company were entitled to be paid, £89,000,000 has been recognised as revenue and £767,000 has been recognised as other interest received in the 2023 accounts. The damages paid all relate to transactions prior to 2023.

Excluding the claim, sales increased by 41.6% compared to the prior year due to the Commercial Aerospace market recovering post Covid-19.

On 1 November 2023, the company sold several divisions to Goodrich Controls Holding Limited for a consideration of £7,681,000. One of the divisions sold was involved in designing and developing high power dense electric motor and motor controller technologies. The activities from the sold divisions have been included as discontinued operations within the year. See note 22 for further details.

Principal risks and uncertainties

The principal non-financial risks and uncertainties facing the Company are broadly grouped as competitive and legislative. The financial risks are discussed in the financial risk management section of the Directors' report.

Goodrich Control Systems

Strategic Report for the year ended 31 December 2023

Competitive Risks

The Company has many contracts, several significant, and through a continued commitment to excellence, seeks to achieve and exceed customer expectations to mitigate and reduce the risk of non-renewal and contract termination.

The company carefully manages and directs its business development team to identify and win new business opportunities via the development of customer relations and by continually improving its products.

The aerospace MRO (Maintenance, Repair and Overhaul) business is reliant on new and repeat business from aircraft operators. The majority of this business is secured for fixed periods of time. The remainder of the business is for individual purchase orders, and there is no certainty of repeat business from this income stream.

Legislative Risks

All of the business carried out is subject to standards set by the Civil Aviation Authority (CAA), the European Aviation Safety Agency (EASA) and in some cases the Federal Aviation Authority (FAA). All of these bodies issue regulations which need to be complied with in order to be authorised to carry out maintenance work in the aerospace industry. Compliance imposes costs and failure to comply with the standards could materially affect the Company's ability to operate. To mitigate against these risks the business operates a robust business management system which ensures adherence to the regulatory standards through procedures, standard work and policies. This is supported by a strong audit program through self assessment and within the RTX Corporation audit function.

Russian invasion of Ukraine

In February 2022, Russia invaded Ukraine. In response to this event, additional financial, trade, and travel sanctions were imposed on Russia and Belarus by some members of the International Community. The company does not trade or hold assets in Russia, Belarus or Ukraine and therefore is not directly affected. However, the economic knock-on effects of sanctions and the Black Sea blockade will inevitably have short to long term effects as we have seen the ramifications in increased energy prices, jump in inflation and interest rates. Given the global effects, the conditions are likely to remain fluid and complex.

Section 172 (1) Statement

This section describes how the directors have had regard to the matter set out in Section 172(1) (a) to (f) of the Companies Act 2006 in exercising their duty to promote the success of the Company for the benefit of its key stakeholders.

The likely consequences of any decision in the long term

The directors of the Company have a duty of care to the key stakeholders when making decisions that affect long term sustainability of the Company. Key objectives are formulated as such to ensure that the Company continues as a going concern. The directors remain mindful that its strategic decisions can have long term implications for the business and its stakeholders, and these implications are carefully assessed.

Goodrich Control Systems

Strategic Report for the year ended 31 December 2023

Section 172 (1) Statement (continued)

Having regard to the need to act fairly as between members of the Company

The directors recognise their legal and regulatory duties, and do not take any decisions or actions, such as selectively disclosing confidential or inside information, that will provide any shareholder or group of shareholders with any unfair advantage or position compared to the shareholders as a whole.

Having regard to the desirability of the Company maintaining a reputation for high standards of business conduct

Modern Slavery Act

The Company is committed to ensuring slavery and human trafficking are not taking place in its business or supply chains. To this end the Company has published a statement for the reporting period at www.rtx.com.

Having regard to the interests of the Company's employees

Employee involvement

It is the policy of the Company to create a common awareness amongst employees of the financial and economic factors affecting the performance of the Group. It is the policy of the Company to maintain and develop employee involvement. Local managers provide information on a regular basis on matters of concern to employees, using various means such as business review meetings, briefing meetings, video presentations, company newsletters and training sessions.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee Programmes and Benefits

The company operates ongoing employee development programmes which reflect development needs highlighted in the annual performance reviews. The company sponsored a number of employees on the RTX Corporation Employee Scholar Programme. All office employees completed a range of mandatory on-line training modules centred on business practices designed to increase awareness and promote strong ethical compliance, training includes anti-corruption and bribery matters. The company also continued a job rotation programme for high potential employees. As part of its "wellness" and health management programmes the company provides a 'Cycle to Work' scheme and bi-monthly health initiatives. It also provided an all employee reward programme, together with a new reward and recognition programme for those employees exhibiting exemplary performance.

Having regard to need to foster the Company's business relationships with suppliers, customers and others

Customers

The directors of the Company, on a continuing basis, promote the development and maintenance of a customer focus culture. The time invested in developing this culture can be seen in the growth of turnover generated year on year. The Company carefully manages and directs its business development team to identify and win new business opportunities via the development of customer relations and by continually improving its products.

Goodrich Control Systems

Strategic Report for the year ended 31 December 2023

Section 172 (1) Statement (continued)

Suppliers

The directors recognise the key role suppliers play in ensuring the company delivers a reliable service to customers. The directors seek to balance the benefits of maintaining strong partnering relationships with key suppliers alongside the need to obtain value for money for our investors and the desired quality and service levels for our customers. The Company works with suppliers and builds robust, long-lasting supply chains. The Company pays the suppliers in line with their payment terms.

Regulators

The Company seeks a constructive and cooperative relationship with the bodies that authorise and regulate the business activities. This helps us maintain a reputation for high standards of business conduct.

All of the business carried out is subject to standards set by the Civil Aviation Authority (CAA), the European Aviation Safety Agency (EASA) and in some cases the Federal Aviation Authority (FAA). All of these bodies issue regulations which need to be complied with in order to be authorised to carry out maintenance work in the aerospace industry. Compliance imposes costs and failure to comply with the standards could materially affect the Company's ability to operate. To mitigate against these risks the business operates a robust business management system which ensures adherence to the regulatory standards through procedures, standard work and policies. This is supported by a strong audit program through self-assessment and through the RTX Corporation audit function.

The Company manages its tax affairs responsibly and proactively to comply with tax legislation. The Company's approach is to seek to build solid and constructive working relationships with all tax authorities.

The impact of the Company's operations on the community and the environment

The Company is convinced of the importance of health, safety and the environment to the success of its business and is committed to be an industry leader in its commitment to safety and environmental responsibility.

The Company will, on a continuing basis: develop and maintain a culture which recognises the importance of health, safety and the environment to its success and exercise its responsibilities in a manner that reflects this; provide a healthy and safe place of work for all its employees; develop products and operate facilities in a manner that strives to eliminate risk to employees, customers, the environment and the community at large; and improve its performance in health, safety and environmental matters by encouraging the participation, commitment and support of all employees.

Goodrich Control Systems

Strategic Report for the year ended 31 December 2023

Streamlined Energy and Carbon Reporting ('SECR')

This Report summarises the energy usage, associated emissions, energy efficiency actions and energy performance for the Company under the government policy Streamlined Energy and Carbon Reporting ('SECR'), as implemented by the 2018 Regulations. It also summarises the methodologies utilised for all calculations related to the elements reported under Energy and Carbon.

The following figures demonstrate year on year changes in consumption and resulting emissions for the company.

Utility and Scope

Scope 1 consumption and emissions relate to direct combustion of natural gas and fuels.

Scope 2 consumption and emissions relate to indirect emissions relating to the consumption of purchased electricity in day to day business operations.

The total consumption (kWh) figures for energy supplies are as follows:

	2023 Consumption (kWh)	2022 Consumption (kWh)
Grid-Supplied Electricity (Scope 2)	7,177,576	6,455,274
Natural Gas (Scope 1)	1,248,584	1,663,563
Transportation (Scope 1)	1,994	6,191
Total	8,428,154	8,125,028

The total emission (tCO₂e) figures for energy supplies are as follows. Conversion factors utilised in these calculations are detailed below:

	2023 Consumption (tCO ₂ e)	2022 Consumption (tCO ₂ e)
Grid-Supplied Electricity (Scope 2)	1,486	1,248
Natural Gas (Scope 1)	230	304
Transportation (Scope 1)	545	600
Total	2,261	2,152

Intensity Metric

An intensity metric of tCO₂e per £m revenue has been applied for the annual total emissions. The methodology of the intensity metric calculations are detailed below, and results of this analysis is as follows:

	2023 Intensity Metric	2022 Intensity Metric
tCO ₂ e/£m revenue	6.29	11.27

Goodrich Control Systems

Strategic Report for the year ended 31 December 2023

Streamlined Energy and Carbon Reporting ('SECR') (Continued)

Reporting Methodology

Scope 1 and 2 consumption and CO₂e emission data has been calculated in line with the 2020 UK Government environmental reporting guidance. To maintain continuity with the GHG reporting undertaken before the implementation of SECR, only UK consumption and emissions are included within the emissions reporting. The intensity metric therefore is also calculated utilising the UK revenue figure.

Estimations undertaken to cover missing billing periods were calculated on a kWh/day pro-rata basis at meter level. Where data was not available for the entirety of the reporting period, an average of similar meter classes were taken and applied to the properties with no available data.

Intensity metrics have been calculated utilising the reported 2023 revenue figure. Both individual sources and total emissions tCO₂e were combined and then divided by this figure to determine the tCO₂e per metric.

Future developments

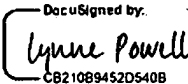
In 2024, the directors are forecasting an increase in sales and profitability, after the one off items in 2023, as the Commercial Aerospace sector continues to recover after the pandemic.

Events after the balance sheet date

Details of significant events since the balance sheet date are contained in note 26 to the financial statements.

Approval

Approved by the Board and signed on its behalf by:

DocuSigned by:

CB210B9452D540B

L Powell
Director
21 August 2024

Fore 1, Fore Business Park,
Huskisson Way, Stratford Road,
Shirley, Solihull,
West Midlands,
B90 4SS.

Goodrich Control Systems

Directors' Report for the year ended 31 December 2023

The directors present their Report and audited financial statements of the company for the year ended 31 December 2023.

Future developments and events after the balance sheet date

Details of future developments and events that have occurred after the balance sheet date can be found in the Strategic Report on page 6 and form part of this report by cross-reference.

Research and development

During 2023 the company sold the Electronic Controls and Motor Systems division. This resulted in a disposal of the entire development costs included within Intangible Assets. The company does not expect to incur any future research and development costs.

Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found in the accounting policies in the financial statements.

Financial risk management objectives and policies

The Company's activities expose it to a number of financial risks including cash flow risk, liquidity risk and credit risk. The use of financial derivatives is governed by the Company's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks.

The Company has reviewed the requirements of IAS 21 to determine its correct functional currency. After considering both primary and secondary economic indicators the management has concluded that it is most appropriate to use Sterling as the functional currency as this most faithfully represents the economic effects of underlying transactions, events and conditions.

Cash flow risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Company uses foreign exchange forward contracts to hedge these exposures.

Goodrich Control Systems

Directors' Report for the year ended 31 December 2023

Financial risk management objectives and policies (continued)

Liquidity risk

The company aims to mitigate liquidity risk by managing cash generation by its operations and applying collection targets.

The company participates in the overall worldwide group's funding strategy managed at corporate treasury level. The company participates in a UK cash pool. The objective is to maintain a balance between continuity of funding and flexibility.

Credit risk

The Company's principal financial assets are bank balances and cash, and trade and other debtors.

The Company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Achieving Competitive Excellence

The business continues to deploy an operational framework which drives continuous improvement in all areas across the business to ensure that financial and growth targets are met. During 2023 the business delivered on the targets set.

Employee Involvement

Details of employee involvement can be found in the Strategic Report on page 3 and form part of this report by cross-reference.

Employee consultation

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings, the Company magazine and a special edition for employees of the annual financial statements. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Environmental Matters

Details of environmental matters can be found in the Strategic Report on page 4 and form part of this report by cross-reference.

Dividends

An ordinary interim dividend of £542,000,000 was declared and paid in the year (2022: £67,281,000).

Goodrich Control Systems

Directors' Report for the year ended 31 December 2023

Directors

The directors, who served throughout the year and up to the date of signing the financial statements were as follows:

L Powell
A McHugh
M Holme (resigned 29 September 2023)
J Beaudry III
N Mann
R Hudson

Directors' Indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

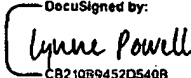
Goodrich Control Systems

Directors' Report for the year ended 31 December 2023

Independent Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to be reappointed for another term and appropriate arrangements are being made for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

Approved by the Board and signed on its behalf by:

DocuSigned by:

CB210B9452D540B

L Powell
Director
21 August 2024

Fore 1, Fore Business Park,
Huskisson Way, Stratford Road,
Shirley, Solihull,
West Midlands,
B90 4SS.

Goodrich Control Systems

Independent auditors' report to the members of Goodrich Control Systems

Report on the audit of the financial statements

Opinion

In our opinion, Goodrich Control Systems' financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: Balance Sheet as at 31 December 2023; Profit and loss account, Statement of comprehensive income and Statement of changes in equity for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

Goodrich Control Systems

Independent auditors' report to the members of Goodrich Control Systems

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Goodrich Control Systems

Independent auditors' report to the members of Goodrich Control Systems

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the UK Bribery Act, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as Companies Act 2006 and tax compliance legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to (1) posting inappropriate journal entries to manipulate financial results; (2) management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Identification and testing of journal entries that meet our defined risk criteria, in particular any journal entries posted with unusual account combinations and which have an impact on revenue;
- Enquiries, throughout the audit with management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reviewing minutes of meetings of those charged with governance;
- Challenging assumptions and judgements made by management in determining significant accounting estimates (because of the risk of management bias), in particular in relation to stock provisioning, recoverability of trade and intercompany receivables and pension assumptions; and
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Alan Walsh (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands
22 August 2024

Goodrich Control Systems

Profit and loss account For the year ended 31 December 2023

	Note	Continuing Operations 2023 £'000	Discontinued Operations 2023 £'000	Total 2023 £'000	Continuing Operations 2022 £'000	Discontinued Operations 2022 £'000	Total 2022 £'000
Turnover	3	345,766	13,623	359,389	177,926	13,002	190,928
Cost of sales		(102,194)	(11,267)	(113,461)	(87,033)	(12,281)	(99,314)
Gross profit		243,572	2,356	245,928	90,893	721	91,614
Administrative expenses		(11,748)	(1,340)	(13,088)	(9,596)	(4,643)	(14,239)
Operating profit / (loss)	7	231,824	1,016	232,840	81,297	(3,922)	77,375
Interest receivable and similar income	8	46,668	-	46,668	23,718	-	23,718
Interest payable and similar expenses	9	(31,194)	-	(31,194)	(22,566)	-	(22,566)
Profit / (loss) before taxation		247,298	1,016	248,314	82,449	(3,922)	78,527
Tax on profit / (loss)	10	(21,252)	(94)	(21,346)	(4,678)	-	(4,678)
Profit / (loss) for the financial year		226,046	922	226,968	77,771	(3,922)	73,849

Goodrich Control Systems

Statement of comprehensive income For the year ended 31 December 2023

	Continuing Operations 2023 £'000	Discontinued Operations 2023 £'000	Total 2023 £'000	Continuing Operations 2022 £'000	Discontinued Operations 2022 £'000	Total 2022 £'000
Profit for the financial year	226,046	922	226,968	77,771	(3,922)	73,849
Items that will not be reclassified subsequently to profit or loss:						
Actuarial loss on pension scheme	(15,539)	-	(15,539)	(67,427)	-	(67,427)
Income tax relating to items not reclassified:						
movement on deferred tax relating to pension surplus	3,885	-	3,885	16,857	-	16,857
Other comprehensive (expense) / income for the year net of tax	(11,654)	-	(11,654)	(50,570)	-	(50,570)
Total comprehensive income for the year	214,392	922	215,314	27,201	(3,922)	23,279

Goodrich Control Systems
Registered number: 04482312

Balance sheet
As at 31 December 2023

	Note	2023 £'000	2022 £'000 (Restated*)
Fixed assets			
Intangible assets	11	44,352	44,352
Tangible assets	12	23,196	27,864
Right of use assets	13	183	5,069
		67,731	77,285
Current assets			
Stocks	14	24,301	25,614
Debtors	15	540,355	836,252
Cash and cash equivalents		5,886	6,486
Pension and similar obligations	21	40,040	53,877
		610,582	922,229
Creditors: Amounts falling due within one year	16	(144,537)	(135,365)
Net current assets		466,045	786,864
Total assets less current liabilities		533,776	864,149
Creditors: Amounts falling due after more than one year	17	(108,703)	(112,568)
Provisions for liabilities	18	(4,676)	(4,498)
Net assets		420,397	747,083
Equity			
Called up share capital	23	1	1
Share premium account		181,166	181,166
Profit and loss account		239,230	565,916
Total Shareholders' funds		420,397	747,083

* See note 28 for details of the restatement.

The notes on pages 18 to 53 form part of these financial statements

The financial statements on pages 14 to 53 were approved by the board of directors on 21 August 2024 and were signed on its behalf by:

DocuSigned by:

 CB210B9452D540B
 L Powell
 Director

Goodrich Control Systems

Statement of changes in equity For the year ended 31 December 2023

	Called up share capital (Note 23) £'000	Share premium account £'000	Profit and loss account £'000	Total Share- holders' funds £'000
Balance at 1 January 2022	1	181,166	609,705	790,872
Profit for the financial year	-	-	73,849	73,849
Other comprehensive (expense) / income for the year:				
- Actuarial loss on pension scheme (note 21)	-	-	(67,427)	(67,427)
- Deferred tax on pension scheme (note 19)	-	-	16,857	16,857
Total comprehensive income for the year	-	-	23,279	23,279
Dividend (note 24)	-	-	(67,281)	(67,281)
Share based payments (note 25)	-	-	213	213
Balance at 31 December 2022	1	181,166	585,916	747,083
Profit for the financial year	-	-	226,968	226,968
Other comprehensive (expense) / income for the year:				
- Actuarial loss on pension scheme (note 21)	-	-	(15,539)	(15,539)
- Deferred tax on pension scheme (note 19)	-	-	3,885	3,885
Total comprehensive income for the year	-	-	215,314	215,314
Dividend (note 24)	-	-	(542,000)	(542,000)
Balance at 31 December 2023	1	181,166	239,230	420,397

Goodrich Control Systems

Notes to the financial statements For the year ended 31 December 2023

1. Accounting policies

Goodrich Control Systems ('the company') is principally involved in the design, manufacture and supply of advanced technology systems, products and services to the world's aerospace industry.

The company is a private unlimited company, and is incorporated and domiciled in England, United Kingdom. The address of its registered office is Fore 1, Fore Business Park, Huskisson Way, Stratford Road, Shirley, Solihull, West Midlands, B90 4SS.

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and all the years presented, unless otherwise stated.

Basis of accounting

The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council.

These financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). The financial statements are therefore prepared in accordance with the Companies Act 2006 as applicable to companies using FRS 101.

The financial statements have been prepared on a going concern basis and under the historical cost convention, except for financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Goodrich Control Systems

Notes to the financial statements For the year ended 31 December 2023

1. Accounting policies (continued)

Basis of accounting (continued)

As permitted by FRS 101, the company has taken advantage of some of the disclosure exemptions available under that standard. The key exemptions taken are as follows:

IFRS 3 - not to restate business combinations before the date of transition
IFRS 7 - financial instrument disclosures
IFRS 13 - disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities
IAS 1 - information on management of capital
IAS 7 - statement of cash flows
IAS 8 - disclosures in respect of new standards and interpretations that have been issued but are not yet effective
IAS 24 - disclosure of key management compensation and for related party disclosures entered into between two or more members of a group
IAS 1 - the requirement to present roll forward reconciliations in respect of share capital
IAS 16 - the requirement to present roll forward reconciliations in respect of property, plant and equipment
IFRS 15 - paragraphs 110b, 113a, 114, 115, 118, 119 a-c, 121-127, 129
IAS 36 - impairment of assets - paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e)

Where required, equivalent disclosures are given in the group financial statements of RTX Corporation.

The group financial statements of RTX Corporation are available to the public and can be obtained as set out in note 27.

Adoption of new and revised Standards

No new accounting standards, or amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2023 have had a material impact on the company.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report. The strategic report also describes the financial position of the Company; its cash flows, liquidity position and borrowing facilities; the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposure to credit risk and liquidity risk.

The Company meets its day to day working capital requirements through a cash-pooling arrangement which is centrally managed by its ultimate parent undertaking.

Whilst the company has sold divisions within the year, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Goodrich Control Systems

Notes to the financial statements For the year ended 31 December 2023

1. Accounting policies (continued)

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from the company's development (or from the development phase of an internal project) is recognised if, and only if, all of the following conditions have been demonstrated:

- the technical feasibility of completing the intangible assets so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible assets; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in the profit and loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

An intangible asset is de-recognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognised in profit or loss when the asset is de-recognised.

Tangible assets

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at cost. Depreciation on buildings is charged to income.

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the company's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use. Freehold land is not depreciated.

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Goodrich Control Systems

Notes to the financial statements For the year ended 31 December 2023

1. Accounting policies (continued)

Tangible assets (continued)

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost of each asset, less any residual value, on a straight-line basis over its expected useful life, as follows:

Land	nil
Buildings and leasehold improvements	3%-7% per annum
Plant and machinery	4%-33% per annum
Construction in progress	no depreciation charge until transferred to appropriate class of asset upon completion

Useful lives are reviewed, and adjusted if appropriate, at the end of every reporting period.

Impairment of tangible and intangible assets

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and costs to be incurred in marketing, selling and distribution. Provision is made for obsolete, slow-moving or defective items where appropriate.

Goodrich Control Systems

Notes to the financial statements For the year ended 31 December 2023

1. Accounting policies (continued)

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Goodrich Control Systems

Notes to the financial statements For the year ended 31 December 2023

1. Accounting policies (continued)

Revenue recognition

Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the company has objective evidence that all criteria for acceptance have been satisfied.

The company has short term maintenance repairs and overhaul arrangements with customers. Performance obligations for these arrangements are satisfied over-time if the customers receive the benefits as we perform work, if the customer controls the asset being worked on, or if the product being produced for the customer has no alternative use and we have a contractual right to payment. Revenue is recognised for our maintenance, repairs and overhaul contracts on an over time basis using the cost incurred to represent work performed which corresponds with and best depicts transfer of control to the customer. Costs include labour, materials, and other direct costs.

The company has long-term flight-hour arrangements spanning 5 to 40 years, where support services are provided based on a fixed rate per flying hour, allowing the customer to keep the fleet serviced and operational throughout the length of the agreement.

For fixed price long term contracts, customers are invoiced based on established maintenance service rates per aircraft flight hours, and deferred until an overhaul is complete. Revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. Revenue is determined as each overhaul is completed, based on costs incurred in proportion to the anticipated total costs expected in performing the service under contract.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

In case of fixed price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the company exceeds the payment, a contract asset is recognised. If the payments exceeds the services rendered, a contract liability is recognised.

Goodrich Control Systems

Notes to the financial statements For the year ended 31 December 2023

1. Accounting policies (continued)

Pension costs

Payments to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Remeasurement comprising actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on scheme assets (excluding interest) are recognised immediately in the balance sheet with a charge or credit to the statement of comprehensive income in the period in which they occur. Remeasurement recorded in the statement of comprehensive income is not recycled. Past service cost is recognised in profit or loss in the period of scheme amendment. Net-interest is calculated by applying a discount rate to the net defined benefit liability or asset. Defined benefit costs are split into three categories:

- current service cost, past-service cost and gains and losses on curtailments and settlements;
- net-interest expense or income; and
- remeasurement.

The company presents the first two components of defined benefit costs within administrative expenses in its consolidated profit and loss account. Curtailments gains and losses are accounted for as past-service cost.

Interest expense or income is recognised within finance costs and interest receivable (see note 8 and 9).

As in previous years, the liability and asset figures, as well as benefit payments and administration expenses have been allocated to each employer within the Goodrich Section of the UTC (UK) Pension Scheme by the percentage of liability as at the most recent funding valuation of the Goodrich Section.

Foreign currency

The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the Company operates (its functional currency).

Transactions in currencies other than the functional currency are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings; and
- exchange differences on transactions entered into to hedge certain foreign currency risks (see below under financial instruments).

Goodrich Control Systems

Notes to the financial statements For the year ended 31 December 2023

1. Accounting policies (continued)

Leases

The company leases buildings and equipment. Rental contracts are typically made for fixed periods of 6 months to 10 years but may have extension options.

Contracts may contain both lease and non-lease components. The company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. A lessee may elect an accounting policy, by asset class, to include both the lease and non-lease components as a single component and account for it as a lease (thus eliminating the pricing allocation). The company has adopted this accounting policy election for equipment leases only.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Lease assets may not be used as security for borrowing purposes.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company.

Assets and liabilities arising from a lease are initially measure on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the company under residual value guarantees;
- The exercise price of a purchase option if the company is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease for each period.

Goodrich Control Systems

Notes to the financial statements For the year ended 31 December 2023

1. Accounting policies (continued)

Leases (continued)

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of the lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in the profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Finance costs

As explained below, where financial liabilities are measured at amortised cost using the effective interest method, interest expense is recognised on an effective yield basis in the profit and loss account within finance costs.

Finance costs which are directly attributable to the construction of tangible fixed assets are capitalised as part of the cost of those assets. The commencement of capitalisation begins when both finance costs and expenditures for the asset are being incurred and activities that are necessary to get the asset ready for use are in progress. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognised in the company's balance sheet when the company becomes a party to the contractual provisions of the instrument.

Financial assets

Financial assets are classified into the following specified categories: at fair value through profit or loss (FVTPL); fair value through other comprehensive income (FVOCI) and amortised cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Goodrich Control Systems

Notes to the financial statements For the year ended 31 December 2023

1. Accounting policies (continued)

Financial assets (continued)

Financial assets at fair value through profit or loss or at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income (FVOCI) comprise:

- Equity securities which are not held for trading, and which the company has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the group considers this classification to be more relevant.
- Debt securities where contractual cash flows are solely principal and interest and the objective of the company's business model is achieved both by collecting contractual cash flows and selling financial assets.

Financial assets at amortised cost

The company classifies its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Financial assets at fair value through profit and loss

The following financial assets are classified at fair value through profit or loss (FVTPL):

- debt investments that do not qualify for measurement at either amortised cost
- equity investments that are held for trading, and
- equity investments for which the entity has not elected to recognise fair value gains and losses through OCI.

Impairment of financial assets

Assets carried at amortised cost

The company assesses, at the end of each reporting period, whether there is objective evidence that a financial asset or group of financial assets is impaired.

Trade and other receivables

Trade and other receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business, if longer), they are classified as current assets. If not, they are presented as noncurrent assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

Goodrich Control Systems

Notes to the financial statements For the year ended 31 December 2023

1. Accounting policies (continued)

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss.

An embedded derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Government grants

Government grants are not recognised until there is reasonable assurance that the company will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the company recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the company should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the company with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Government grants relating to tangible fixed assets are treated as deferred income and released to the profit and loss account over the expected useful lives of the assets concerned. Other grants are credited as 'other operating income' to the profit and loss account as the related expenditure is incurred.

Share-based payments

Incentives in the form of shares are provided to one or more Directors under share option and share award schemes that are established by the ultimate parent company, RTX Corporation. The fair value of these options and awards at the date of their grant is determined by a valuation as described in note 25 and is charged to the profit and loss account over the relevant vesting periods. An amount equivalent to that charged to profit in any period is credited to shareholders funds as a reserve movement reflecting the fact that there is no cash cost to the Company of these share based payments.

Goodrich Control Systems

Notes to the financial statements For the year ended 31 December 2023

1. Accounting policies (continued)

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Warranties

Provisions for the expected cost of warranty obligations are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Company's obligation.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1 above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the company's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Defined Benefit Pension Scheme

The Company participates in a group defined benefit scheme for qualifying employees (the UTC (UK) Pension Scheme). Under the scheme, the employees are entitled to retirement benefits varying between 1% and 67% per cent of final salary on attainment of a retirement age of 65.

The company has an obligation to pay pension benefits to certain employees. The costs of these benefits and the present value of the obligations depend on a number of factors, including: life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 21 for the disclosures of the defined benefit scheme.

Goodrich Control Systems

Notes to the financial statements For the year ended 31 December 2023

2. Critical accounting judgements and key sources of estimation uncertainty (continued)

Defined Benefit Pension Assets

Included in the other / unquoted asset class is the value of the Plan's holding in a Secure Income Fund. The fund's latest audited financial statements included a disclaimer of opinion regarding the valuation of its investment in a Ground Rent Unit Trust. This is a result of possible implications of the Building Safety Act 2022 and its secondary legislation, such as the Leasehold and Freehold Reform Bill. Subsequent to year end, the valuation of the investment property portfolio within the Ground Rents Fund remains subject to a material valuation uncertainty. The value of the Secure Income Fund apportioned to the pension assets of the company is £19,600,000. This includes exposure to the Ground Rent Unit Trust (estimated £2,700,000) linked to an uncertainty valuation from its valuer. In determining the impact to the company, management has reviewed sensitivity analysis performed by the Investment Manager, concluding that the estimated impact would be a potential reduction in the asset value up to £1,600,000 when factoring in the proportion of assets allocated to the company, and subsequent information. Management concludes that the valuation of the pension asset is management's best estimate of its fair value at the balance sheet date.

Included within the pension scheme assets at year end are two asset backed contribution arrangements. The assets are valued using an actuarial approach with discounted cash flows. The data inputs and assumptions are judgemental which can impact the estimated value of the assets. These include the discount rate and probability of cash flows being received based on a stochastic analysis from December 2022 being the best available information to the company and best estimate of fair value. The valuations are performed by independent advisors.

The payment of the coupons and the redemption payment are conditional on the funding level of the scheme on a "buy out" basis (the estimated cost of securing annuities to match the liabilities of the scheme) in the future. As such it may be that not all these payments are made in the future (or are not paid in full). The Trustees' covenant advisors provided a valuation which includes an allowance for the probability that future cashflows from the Asset Backed Contribution (ABC) are not paid in full, based on the most recently available stochastic analysis of the future funding level of the scheme performed by the actuarial and investment advisors to the Trustees'. The actuarial report is based on the Scheme's funding level as at 31 December 2022, and the Company is comfortable using these probabilities for the current year end, considering the minimal changes in funding level and asset strategy since that date. The valuation performed by Trustees' covenant advisors is based on market conditions as at the 2023 year-end date.

The view of the Company is that this valuation falls within the definition of an acceptable fair value for the ABC at the accounting date and no independent modelling has been undertaken on behalf of the Company. Changes in the asset strategy by the Trustees' need to be discussed with the Company in advance.

Net Defined Benefit Surplus

The net defined benefit surplus of £40,040,000 (2022: £53,877,000) is recognised to the extent that the company ultimately have ability to access the surplus assets via a refund.

In 2016, the Company received legal advice in respect of the recognition of surplus in light of IFRIC 14. This advice confirmed that the Trustees' do not have a unilateral right to surplus. Based on this advice, and in line with the disclosures for the year ending 31 December 2022, no asset ceiling has been applied to the Net Defined Benefit Asset based on the current version of IFRIC 14.

Goodrich Control Systems

Notes to the financial statements For the year ended 31 December 2023

2. Critical accounting judgements and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Useful economic lives of properties, plant and equipment

The annual depreciation charge for property, plant and equipment is sensitive to changes in estimated useful economic lives of the assets. The useful lives of the assets are assessed on an annual basis and are amended when necessary to reflect current estimates. See note 12 for the carrying amount for the property, plant and equipment, and note 1 for the useful economic lives for each class of assets.

Useful economic lives of right of use assets

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Stock provisioning

The company designs, manufactures and supplies advanced technology systems, products and services to the world's aerospace industry which is subject to changing customer demands and technological change. As a result it is necessary to consider the recoverability of the cost of the inventory and the associated provisioning required. Management considers the nature and condition of inventory, as well as applies assumptions around expected future demand for the inventory, when calculating the level of inventory provisioning. See note 14 for the net carrying value of inventory and associated provision.

Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the age profile of the receivable and historic experience. See note 15 for the net carrying amount of the receivables and the associated impairment provision.

Recoverability of intercompany receivables

Management reviews the recoverability of intercompany receivables at the balance sheet date. The evaluation requires the use of estimation based on a credit assessment of the probability of default of the counterparty. The carrying amount of loans to other group companies at the balance sheet date was £463,820,000 (2022: £765,735,000) with no provision considered necessary in 2023 or 2022.

Revenue recognition

Revenue is recognised on an over-time basis for long-term aftermarket contracts. We measure progress toward completion of these contracts on a percentage of completion basis, generally using costs incurred to date relative to total estimated costs at completion. Contract costs are incurred over a period of time, and the estimation of these costs requires management's judgment. We review our Estimates at Completion (EACs) at least annually or when a change in circumstances warrants a modification to a previous estimate.

Goodrich Control Systems

**Notes to the financial statements
For the year ended 31 December 2023**

3. Turnover

An analysis of the company's turnover is as follows:

	2023	2022
	£'000	£'000
Sales of goods	161,893	51,705
Rendering of services	197,496	139,223
	359,389	190,928

An analysis of the company's turnover by class of business is set out below:

	2023	2022
	£'000	£'000
Revenue:		
Original Equipment Manufacture	16,623	16,186
Aftermarket	342,766	174,742
	359,389	190,928

An analysis of the company's turnover by geographical market is set out below.

	2023	2022
	£'000	£'000
Turnover:		
United Kingdom	189,276	59,257
Rest of Europe	48,895	39,542
North America	62,181	54,197
Rest of World	59,037	37,932
	359,389	190,928

Revenue for the year includes damages of \$112,285,440, paid as part of a settlement agreement signed with a customer. The damages paid all relate to transactions prior to 2023.

Assets and liabilities related to contracts with customers are disclosed in note 15 and 16.

4. Auditors' remuneration

Fees payable to PricewaterhouseCoopers LLP and their associates for the audit of the company's annual financial statements were £242,000 (2022: £102,000).

Fees payable to PricewaterhouseCoopers LLP and their associates for non-audit services amount to £nil (2022: £nil).

Goodrich Control Systems

Notes to the financial statements For the year ended 31 December 2023

5. Staff costs

The average monthly number of employees (including executive directors) was:

	2023 Number	2022 Number
Manufacturing	280	248
Engineering	98	89
Administration & Management	252	205
	630	542

Their aggregate remuneration comprised:

	2023 £'000	2022 £'000
Wages and salaries	34,069	32,913
Social security costs	3,622	3,853
Other pension costs (see note 21)	2,570	3,731
Share based payments	-	213
	40,261	40,710

'Other pension costs' includes only those items included within operating costs. Items reported elsewhere have been excluded.

Goodrich Control Systems

Notes to the financial statements For the year ended 31 December 2023

6. Directors' remuneration and transactions

	2023 £'000	2022 £'000
Directors' remuneration		
Emoluments	790	828
Company contributions to money purchase pension schemes	42	42
Share options	124	89
	956	959

Three directors are executives of the company and also executive directors of a large number of fellow companies for which they carry on work. They are paid by overseas group undertakings which makes no recharge to the company.

	2023 Number	2022 Number
The number of directors who:		
Members of a defined contribution pension scheme	3	3

	2023 £'000	2022 £'000
Remuneration of the highest paid director:		
Emoluments	358	359
Company contributions to money purchase pension schemes	20	18

The highest paid director exercised share options in the year of £20,000 (2022: £44,000).

The highest paid director accrued retirement benefits in respect of defined contribution pension schemes.

The highest paid director did not receive any shares in the year (2022: nil).

No compensation for loss of office was paid to Directors (2022: £nil).

Goodrich Control Systems**Notes to the financial statements
For the year ended 31 December 2023****7. Operating profit/(loss)**

Operating profit/(loss) is stated after (crediting)/charging:

	2023	2022
	£'000	£'000
Net foreign exchange (gains) / losses	(1,382)	(238)
Depreciation of tangible fixed assets:		
- owned	4,148	4,828
Depreciation of right-of-use assets	1,055	1,205
Loss on disposal of tangible fixed assets	224	128
Impairment of trade receivables	516	326
Impairment of inventory	867	508
Research and development	(664)	1,245
Stock recognised as an expense	58,999	40,605
Audit costs (see note 4)	242	102
Staff costs (see note 5)	40,261	40,710

8. Interest receivable and similar income

	2023	2022
	£'000	£'000
Interest receivable from group companies	23,332	8,682
Other interest receivable	767	-
Pension interest income - return on assets (see note 21)	22,569	15,036
	46,668	23,718

9. Interest payable and similar expenses

	2023	2022
	£'000	£'000
Interest payable to group companies	10,732	9,691
Lease liabilities	76	116
Other interest	472	7
Pension interest expense – defined benefit obligation (see note 21)	19,914	12,752
	31,194	22,566

Goodrich Control Systems

Notes to the financial statements For the year ended 31 December 2023

10. Tax on profit

Tax expense included in profit or loss:

	2023 £'000	2022 £'000
Current tax		
UK corporation tax on profits for the year	22,909	3,534
Adjustments in respect of prior periods	(2,798)	(43)
Total current tax	20,111	3,491
Deferred tax		
Origination and reversal of timing differences	1,257	1,435
Adjustments in respect of prior periods	(22)	(248)
Total deferred tax (see note 19)	1,235	1,187
Total tax on profit	21,346	4,678

Factors affecting tax charge for the year

The tax on the profit before tax for the year is lower (2022: lower) than the standard rate of corporation tax in the UK for the year ended 31 December 2023 of 23.52% (2022: 19%). The differences are explained below:

	2023 £'000	2022 £'000
Profit before taxation	248,314	78,527
Tax on profit at standard UK corporation tax rate of 23.52% (2022: 19%)	58,405	14,920
Effects of:		
Income not taxable	(5)	(133)
Expenses not deductible for tax purposes	(43)	146
Adjustments in respect of prior years	(2,819)	(291)
Group relief receivable for no payment	(34,266)	(10,309)
Rate differential on temporary differences	74	345
Total tax charge for the year	21,346	4,678

Goodrich Control Systems

Notes to the financial statements For the year ended 31 December 2023

10. Tax on profit (continued)

Factors that may affect future tax charge

Claims for capital allowances are running in advance of depreciation. Whether this continues to be the case depends on the level of capital allowance claims in the future and the level of future investment in fixed assets.

In the March 2021 Budget, the Government announced that from April 2023 the corporation tax rate would increase from 19% to 25%. The change had been substantively enacted by the balance sheet date and hence the impact of any resulting changes to the valuation of any deferred tax assets or liabilities is reflected within the financial statements.

On 20 June 2023, Finance (No.2) Act 2023 was substantively enacted in the UK, introducing a global minimum effective tax rate of 15%. The legislation implements a domestic top-up tax and a multinational top-up tax, effective for accounting periods starting on or after 31 December 2023. The Company has applied the exception allowed by an amendment to IAS 12 to recognising and disclosing information about deferred tax assets and liabilities related to top-up income taxes.

Tax expense included in other comprehensive income

In addition to the amount charged to the income statement, the following amounts relating to tax have been recognised in other comprehensive income:

	2023 £'000	2022 £'000
Deferred tax		
Arising on income and expenses recognised in other comprehensive income:		
Pension scheme	3,885	16,857
Total expense tax recognised in other comprehensive income	3,885	16,857

Goodrich Control Systems

Notes to the financial statements For the year ended 31 December 2023

11. Intangible assets

	Development costs £'000	Goodwill £'000	Total £'000
Cost			
At 1 January 2022	51,336	74,504	125,840
At 31 December 2022	51,336	74,504	125,840
Disposals	(51,336)	-	(51,336)
At 31 December 2023	-	74,504	74,504
Accumulated amortisation and impairment			
At 1 January 2022	51,336	30,152	81,488
Impairment	-	-	-
At 31 December 2022	51,336	30,152	81,488
Disposals	(51,336)	-	(51,336)
At 31 December 2023	-	30,152	30,152
Net book value			
At 31 December 2023	-	44,352	44,352
At 31 December 2022	-	44,352	44,352

The development costs within Motor Drive System Centre were fully impaired in 2018, due to the site relocating to The Fore Campus Solihull from Hemel Hempstead, and no longer generating sufficient cash flows. Development costs were fully disposed in the year as a result of Motor Drive System Centre becoming a discontinued operation.

Goodwill was created as a result of; the purchase of business by Goodrich Control Systems from TRW Aeronautical Systems and other acquisitions.

The company does not amortise goodwill in accordance with the requirements of IFRS as applied under FRS 101. Instead an annual impairment test is performed and any impairment that is identified is recognised in the profit and loss account. The non-amortisation of goodwill conflicts with paragraph 22 of Schedule 1 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410), which requires acquired goodwill to be written off over its useful economic life. As such, the non-amortisation of goodwill is a departure, for the overriding purpose of giving a true and fair view, from the requirement of paragraph 22 of Schedule 1 to the Regulations.

Goodrich Control Systems**Notes to the financial statements
For the year ended 31 December 2023****12. Tangible assets**

	Land, Buildings and leasehold improvements £'000	Plant and machinery £'000	Construction in progress £'000	Total £'000
Cost				
At 1 January 2022	3,344	63,657	139	67,140
Additions	-	2,804	2	2,806
Disposals	-	(230)	-	(230)
At 31 December 2022	3,344	66,231	141	69,716
Additions	-	3,029	348	3,377
Disposals	(3,344)	(8,660)	(489)	(12,493)
At 31 December 2023	-	60,600	-	60,600
Accumulated depreciation				
At 1 January 2022	1,376	35,750	-	37,126
Depreciation	338	4,490	-	4,828
Disposals	-	(102)	-	(102)
At 31 December 2022	1,714	40,138	-	41,852
Depreciation	281	3,867	-	4,148
Disposals	(1,995)	(6,601)	-	(8,596)
At 31 December 2023	-	37,404	-	37,404
Net book value				
At 31 December 2023	-	23,196	-	23,196
At 31 December 2022	1,630	26,093	141	27,864

Goodrich Control Systems

Notes to the financial statements For the year ended 31 December 2023

13. Leases

The company has lease contracts for motor vehicles and buildings used in the operations. The amounts recognised in the financial statements in relation to the leases are as follows:

(i) Amounts recognised in the statement of financial position

The balance sheet shows the following amounts relating to leases:

	2023 £'000	2022 £'000
Right-of-use assets		
Buildings	-	4,539
Motor Vehicles	183	530
	183	5,069
Lease liabilities		
Current	80	1,259
Non-current	104	3,969
	184	5,228

Additions to the right-of-use assets during the 2023 financial year were £367,000 (2022: £220,000)

(ii) Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	2023 £'000	2022 £'000
Depreciation charge of right-of-use assets		
Buildings	822	962
Motor Vehicles	233	243
	1055	1,205
Interest expense (included in finance cost)	76	116
	2023 £'000	2022 £'000
Future minimum lease payments as at 31 December are as follows:		
Not later than one year	80	1,318
Later than one year and not later than five years	104	2,634
Later than five years	-	1,405
Total gross payments	184	5,357
Impact of finance expenses	-	(129)
Carrying amount of liability	184	5,228

The total cash outflow for leases was £1,131,000 (2022: £1,388,000).

Goodrich Control Systems

Notes to the financial statements For the year ended 31 December 2023

14. Stocks

	2023 £'000	2022 £'000
Raw materials and consumables	13,238	11,763
Work in progress	1,630	3,148
Finished goods and goods for resale	9,433	10,703
	24,301	25,614

In the opinion of the Directors the difference between the purchase price or production cost of stocks and their replacement cost is not material. There is a provision of £8,346,000 (2022: £7,495,000) over stock held.

15. Debtors

Amounts falling due within one year:

	2023 £'000	2022 £'000
Trade receivables	43,236	42,514
Amounts owed by group undertakings	463,820	765,735
VAT repayable	259	1,095
Prepayments and accrued income	473	480
Contract assets	15,427	12,747
	523,215	822,571

Loans to other group undertakings have variable interest rates and are repayable on demand. There is no security provided on these loans. No interest is charged on inter-company trading balances.

Trade receivables are stated after provision for impairment of £1,784,000 (2022: £2,070,000).

Following a review, during the year, of the classification of balances within Debtors: Amounts falling due within one year, it was noted that contract assets had been presented as trade receivables in the prior year and that it was more appropriate to disclose the contract assets separately within these notes. The prior year balance of £12,747,000 has been reclassified to contract assets within Debtors: Amounts falling due within one year. The adjustment does not have any impact on the profit for the financial year, the net current assets and net assets.

Amounts falling due after more than one year:

	2023 £'000	2022 £'000
Deferred tax asset (note 19)	17,140	13,681
	17,140	13,681

	2023 £'000	2022 £'000
Amounts falling due within one year	523,215	822,571
Amounts falling due after more than one year	17,140	13,681
Total Debtors	540,355	836,252

Goodrich Control Systems

Notes to the financial statements For the year ended 31 December 2023

16. Creditors: amounts falling due within one year

	2023 £'000	2022 £'000
Trade creditors	25,480	30,763
Amounts owed to group undertakings	31,040	6,434
Accruals and deferred income	1,411	29,372
Contract liabilities	63,316	60,841
Corporation tax	23,210	6,696
Lease liability (note 13)	80	1,259
	144,537	135,365

Loans from other group companies mature on a monthly basis and are renewable at a variable interest rate and repayable on demand. There is no security provided on these loans. No interest rate is charged on inter-company trading balances.

Following a review, during the year, of the classification of balances within Creditors: Amounts falling due within one year, it was noted that contract liabilities had been presented as accruals and deferred income in the prior year and that it was more appropriate to disclose the contract liabilities separately within these notes. The prior year balance of £60,841,000 has been reclassified to contract liabilities within Creditors: Amounts falling due within one year. The adjustment does not have any impact on the profit for the financial year, the net current assets and net assets.

The amount of revenue recognised in the year that was included in the contract liability balance at the beginning of the year was £43,893,000 (2022: £34,696,000).

17. Creditors: amounts falling due after more than one year

	2023 £'000	2022 £'000
Lease liability (note 13)	104	3,969
Amounts owed to group undertakings	108,599	108,599
	108,703	112,568

Long term loans owed to the group have an interest bearing fixed loan rate of 7.40% and is due to be settled in May 2026 with the option to extend to May 2036.

Goodrich Control Systems

Notes to the financial statements For the year ended 31 December 2023

18. Provisions for liabilities

	Environmental £'000	Product Warranties £'000	Restructuring £'000	Deferred tax liability £'000	Total £'000
At 1 January 2022	1,036	597	1,166	4,498	7,297
Transfer of deferred tax asset	-	-	-	13,681	13,681
Additions to the income statement	-	383	-	1,187	1,570
Releases to other comprehensive income	-	-	-	(16,857)	(16,857)
Amounts utilised	(392)	(244)	(557)	-	(1,193)
At 31 December 2022	644	736	609	2,509	4,498
Additions / (releases) to the income statement	-	278	(399)	809	688
Amounts utilised	(34)	(266)	(210)	-	(510)
At 31 December 2023	610	748	-	3,318	4,676

Environmental

The environmental provision was set up when Goodrich acquired the TRW businesses. The provision is being utilised as expenditure is being incurred on the ex TRW sites relating to environmental issues that predate the 2002 acquisition.

Product warranties

The provision for product warranties relates to expected warranty claims on products sold in the last three years. It is expected that this expenditure will all be incurred within three years of the balance sheet date.

Restructuring

The restructuring provision relates to relocation and retention payments for ECMS employees affected by the site transfer to the Fore Campus in Solihull and those retained under the Chestnut restructuring project. The provision was fully utilised within the year.

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Notes to the financial statements For the year ended 31 December 2023

19. Taxation, including deferred tax

The analysis of deferred tax assets / (liabilities) is as follows:

	2023 £'000	2022 £'000
Deferred tax assets due after more than 12 months	17,140	13,681
Deferred tax liabilities due after more than 12 months	(3,318)	(2,509)
Total deferred tax due after more than 12 months	13,822	11,172
Total deferred tax asset	13,822	11,172

The movement in deferred tax is as follows:

Deferred tax (liabilities) / assets:

	Accelerated tax depreciation £'000	Other timing differences £'000	Retirement benefit obligations £'000	Total £'000
At 1 January 2022	(1,377)	(578)	(2,543)	(4,498)
Charged to profit and loss	(115)	(439)	(633)	(1,187)
Credited to other comprehensive income	-	-	16,857	16,857
At 31 December 2022	(1,492)	(1,017)	13,681	11,172
Charged to profit and loss	(484)	(325)	(426)	(1,235)
Credited to other comprehensive income	-	-	3,885	3,885
At 31 December 2023	(1,976)	(1,342)	17,140	13,822

Goodrich Control Systems

Notes to the financial statements For the year ended 31 December 2023

20. Financial commitments

Capital commitments are as follows:

	2023 £'000	2022 £'000
Contracts for future capital expenditure not provided in the financial statements	623	4,639
	623	4,639

21. Pension and similar obligations

Defined contribution schemes

The Company operates defined contribution retirement benefit schemes for all qualifying employees. The assets of the schemes are held separately from those of the Company in funds under the control of Trustees'. Where there are employees who leave the schemes prior to vesting fully in the contributions, the contributions payable by the Company are reduced by the amount of forfeited contributions.

The total cost charged to income of £2,570,000 (2022: £2,343,000) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans. As at 31 December 2023, contributions of £nil (2022: £nil) were due in respect of the current reporting year had not been paid over to the schemes.

Defined benefit schemes

The company has a defined benefit scheme "UTC (UK) Pension Scheme" for qualifying employees. The defined benefit scheme is administered by a separate fund that is legally separated from the company. The Trustees' of the pension fund are required by law to act in the interest of the fund and of all relevant stakeholders in the scheme. The Trustees' of the pension fund are responsible for the investment policy with regard to the assets of the fund.

Under the Goodrich Section, the majority of employees are entitled to post-retirement yearly instalments amounting to 1.25% of final pensionable pay for each complete month and year of pensionable employment plus any flat pension to which they are entitled on attainment of a normal retirement age of 65 (although some benefits may be taken at an earlier age). The pensionable salary is based on annual rate of a member's basic pay.

The scheme typically exposes the company to actuarial risks such as: investment risk, interest rate risk and longevity risk. The risk relating to benefits to be paid to the dependents of scheme members is re-insured by an external insurance company.

In conjunction with the merger, an Asset-Backed Contribution (ABC) structure was implemented. The ABC structure consists of two ABCs, both in favour of the UTC (UK) Pension Scheme, with one funded by Goodrich Aftermarket Services Limited (the "UTC ABC") and the other funded by Goodrich Controls Holdings Limited (the "Goodrich ABC"). These ABCs pay two annual coupons and a lump sum redemption payment in 2036. The value of the ABC structure as at 31 December 2023 from the Trustees' covenant adviser has been provided by RTX in March 2024. Details of the arrangement, and the cashflows, are set out in that report.

Goodrich Control Systems

**Notes to the financial statements
For the year ended 31 December 2023**

21. Pension and similar obligations (continued)

Asset volatility	The present value of the defined benefit scheme liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on scheme asset is below this rate, this could lead to deterioration in the Scheme's funding level, all other things being equal. Currently the scheme has a relatively balanced investment in equity securities, debt instruments and real estate. Due to the long-term nature of the scheme liabilities, the Trustees' of the pension fund consider it appropriate that a reasonable portion of the scheme assets should be invested in equity securities and in real estate to leverage the expected return generated by the fund.
Change in bond yields	A decrease in the bond interest rate will increase the scheme liability but this could be expected to be partially offset by an increase in the return on the scheme's debt investments.
Life expectancy	The present value of the defined benefit scheme liability is calculated by reference to the best estimate of the mortality of scheme participants both during and after their employment. An increase in the life expectancy of the scheme participants will increase the scheme's liability.
Inflation risk	The pension obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the scheme against extreme inflation). Elements of the scheme's assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation could also lead to deterioration in the funding position.

No other post-retirement benefits are provided to these employees.

A full accounting valuation of the Goodrich Section of the UTC (UK) Pension Scheme as at 31 December 2020 was carried out by Willis Towers Watson, an Independent firm of actuaries, using the projected unit method. This valuation was updated as at 31 December 2023 by Willis Towers Watson.

For the purposes of preparing the information disclosed in these accounts, a full actuarial valuation of the scheme was carried out at 31 December 2020 and updated to 31 December 2023 by a qualified independent actuary. The present values of the defined benefit obligation and the related current service cost were measured using the projected unit credit method and by rolling forward the results of the 2020 valuation using approximate actuarial techniques, allowing for cashflows, inflation, and interest over the period, and changes in the assumptions. No allowances were made for individual membership movements from 31 December 2020 being different than expected.

Goodrich Control Systems

Notes to the financial statements For the year ended 31 December 2023

21. Pension and similar obligations (continued)

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2023 %	2022 %
Key assumptions used:		
Discount rate(s)	4.63	4.93
Rate of Retail Price Inflation (RPI)	3.10	3.30
Rate of Consumer Price Inflation (CPI)	2.70	2.80
Life Expectancy of a Male aged 65 now*	21.7	21.7
Life Expectancy of a Female aged 65 now*	23.9	23.8
Life Expectancy of a Male aged 65 in 15 years*	22.6	22.5
Life Expectancy of a Female aged 65 in 15 years*	25.0	24.9

* Based on standard mortality table with modifications to reflect expected changes in mortality.

Amounts recognised in profit and loss in respect of these defined benefit schemes are as follows:

	2023 £'000	2022 £'000
Service cost	-	(92)
Administration cost	1,225	1,480
Net Interest income	(2,655)	(2,284)
	(1,430)	(896)

Of the expense for the year, £1,225,000 (2022: £1,388,000) has been included in the profit and loss account as administrative expenses. The net interest income has been included within interest payable and receivable (see notes 8 and 9). The re-measurement of the net defined benefit liability is included in the statement of comprehensive income.

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Notes to the financial statements For the year ended 31 December 2023

21. Pension and similar obligations (continued)

The amount included in the balance sheet arising from the company's obligations in respect of its defined benefit retirement benefit schemes is as follows:

	2023 £'000	2022 £'000
Present value of defined benefit obligations	(434,624)	(412,472)
Fair value of scheme assets	474,664	466,349
Net surplus arising from defined benefit obligation	40,040	53,877

Movements in the present value of defined benefit obligations in the year were as follows:

	2023 £'000	2022 £'000
Opening defined benefit obligation	412,472	678,938
Current service cost	-	(92)
Interest cost	19,914	12,752
Administration Costs and Taxes	1,225	1,480
Re-measurement losses / (gains):		
Actuarial gains and losses arising from changes in demographic assumptions	-	(5,456)
Actuarial gains and losses arising from changes in financial assumptions	16,043	(286,645)
Actuarial gains and losses arising from experience adjustments	3,296	42,482
Disbursements from plan assets	(18,326)	(30,987)
Closing defined benefit obligation	434,624	412,472

Movements in the fair value of scheme assets in the year were as follows:

	2023 £'000	2022 £'000
Opening fair value of scheme assets	466,349	797,710
Interest income	22,569	15,036
Return on plan assets greater / (less) than discount rate	3,800	(317,046)
Contributions from the employer	272	1,334
Disbursements	(18,326)	(30,685)
Closing fair value of scheme assets	474,664	466,349

The actual gain on scheme assets was £26,369,000 (2022: £302,010,000 loss).

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Notes to the financial statements For the year ended 31 December 2023

21. Pension and similar obligations (continued)

The major categories and fair values of scheme assets at the end of the reporting year for each category are as follows:

	2023 Quoted £'000	2022 Quoted £'000
Cash and cash equivalents	10,751	6,860
Equities	4	8,978
Bonds	356,952	344,917
Real Estate	2,160	11,110
Other	22,492	42,436
Total	392,359	414,301

	2023 Unquoted £'000	2022 Unquoted £'000
Cash and cash equivalents	(91,125)	(86,877)
Equities	39,393	36,358
Bonds	1,436	2,571
ABC	66,961	64,030
Other	65,640	35,966
Total	82,305	52,048

	2023 £'000	2022 £'000
Quoted	392,359	414,301
Unquoted	82,305	52,048
Fair value of plan assets	474,664	466,349

Included in the other / unquoted asset class is the value of the Plan's holding in a Secure Income Fund. The fund's latest audited financial statements included a disclaimer of opinion regarding the valuation of its investment in a Ground Rent Unit Trust. This is a result of possible implications of the Building Safety Act 2022 and its secondary legislation, such as the Leasehold and Freehold Reform Bill. Subsequent to year end, the valuation of the investment property portfolio within the Ground Rents Fund remains subject to a material valuation uncertainty. The value of the Secure Income Fund apportioned to the pension assets of the company is £19,600,000. This includes exposure to the Ground Rent Unit Trust (estimated £2,700,000) linked to an uncertainty valuation from its valuer. In determining the impact to the company, management has reviewed sensitivity analysis performed by the Investment Manager, concluding that the estimated impact would be a potential reduction in the asset value up to £1,600,000 when factoring in the proportion of assets allocated to the company, and subsequent information. Management concludes that the valuation of the pension asset is management's best estimate of its fair value at the balance sheet date.

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Notes to the financial statements For the year ended 31 December 2023

21. Pension and similar obligations (continued)

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, pension growth rate and mortality. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

	Change in assumption	Impact on defined benefit obligation	
		Increase in obligation	Decrease in obligation
Discount rate	0.50%	Decrease 7.8%	Increase 7.8%
Pension growth rate (RPI)	0.25%	Increase 3.0%	Decrease 3.0%
Pension growth rate (CPI)	0.25%	Increase 0.1%	Decrease 0.1%
Life expectancy	Increase by 1 year	Increase by 3.0%	Decrease by 3.0%

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

In presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting year, which is the same as that applied in calculating the defined benefit obligation liability recognised in the balance sheet.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

In addition, the disclosed position as at 31 December 2023 is also sensitive to assumptions used to value the ABC. The key assumption used is the discount rate. An increase/(decrease) of 1% per year in the ABC discount rate would increase/(decrease) the total FRS101 surplus at 31 December 2023 by some £10,000,000. Additionally, the value of the ABC includes an allowance that payments are not made/ not made in full because the funding level of the Scheme is sufficiently high. While a number of assumptions feed into this probability, the main impact of these assumptions is to change the expected level of the bullet payment, made in 2036, but there is also a lesser impact on some of the coupon payments. If all future payments from the ABC were assumed to be paid in full, then the disclosed surplus would increase by some £33,000,000. If the scheme was sufficiently funded at the end of the term agreement, the bullet payment would not be received.

In July 2024 the Court of Appeal dismissed an appeal against the High Court's 2023 ruling in Virgin Media Limited v NTL Pension Trustees II Limited. This ruling questions the validity of certain past amendments made to the rules of then contracted out schemes. The Company will work with the Trustees in the coming months to consider any potential impact on the liabilities apportioned to the Company. At this stage, the Company is not aware of, and no allowance has been made in the calculations for, the benefits being different from those described in the Plan's governing documents due to execution risks such as those arising in the Virgin Media case or other conflicts with legislation.

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Notes to the financial statements For the year ended 31 December 2023

22. Discontinued operations

On 1 November 2023, the company sold several divisions to Goodrich Controls Holding Limited for a consideration of £7,681,000 at a nil gain and nil loss. Of the two divisions sold, the first was now principally involved in designing and developing high power dense electric motor and motor controller technologies. The second division was principally involved in providing administrative services to the wider RTX Corporation.

This is reported in the current period as a discontinued operation. Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

The financial performance information presented is for the ten months ended 31 October 2023 (2023 column) and the year ended 31 December 2022.

	2023 £'000	2022 £'000
Turnover (note 3)	13,623	13,002
Cost of sales	(11,267)	(12,281)
Administrative expenses	(1,340)	(4,643)
Profit / (loss) before taxation	1,016	(3,922)
Tax on profit / (loss)	(94)	-
Profit / (loss) from discontinued operations	922	(3,922)
Other comprehensive income/(expense) from discontinued operations	922	(3,922)

Details of the sale consideration are as follows:

	2023 £'000	2022 £'000
Consideration received or receivable:		
Cash	7,681	-
Carrying amount of net assets sold	(7,681)	-
Gain on sale	-	-

The carrying amounts of net assets at the date of sale were:

	Carrying Value £'000
Debtors - Trade & Intercompany	14,668
Land, Buildings and leasehold improvements	1,349
Plant and equipment	1,835
Construction in progress	488
Right of use assets	3,800
Creditors - Trade & Intercompany	(10,906)
Provisions	(399)
Long term lease liability	(3,154)
Net assets	7,681

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Notes to the financial statements For the year ended 31 December 2023

23. Called up share capital

Ordinary shares

	2023 £'000	2022 £'000
Allotted called up and fully-paid		
1,000 (2022: 1,000) ordinary shares of £1 each	1	1

24. Dividends

Amounts recognised as distributions to equity holders in the year:

	2023 £'000	2022 £'000
Ordinary interim dividend was distributed for the year ended 31 December 2023 of £542,000 (2022: £67,281) per share	542,000	67,281
	542,000	67,281

25. Share based payments

The company issues to certain employees share appreciation rights (SARs), determined by reference to the company's parent's shares, that require the company to pay the intrinsic value of the SAR to the employee at the date of exercise. The company recorded total expenses of £nil and £41,000 in 2023 and 2022, respectively. The total intrinsic value at 31 December 2023 and 2022 was £nil and £38,000 respectively.

The company issues to certain employees performance share units (PSUs), determined by reference to the company's parent's shares, that require the company to pay the intrinsic value of the SAR to the employee at the date of exercise. The company recorded total expenses of £nil and £172,000 in 2023 and 2022, respectively. The total intrinsic value at 31 December 2023 and 2022 was £nil and £134,000 respectively.

26. Subsequent events

There have been no significant changes since the balance sheet date.

27. Controlling party

The company's immediate parent undertaking is Goodrich Control Systems, Inc.

The company's ultimate parent undertaking and controlling party is RTX Corporation, a company incorporated in the United States of America.

RTX Corporation is the smallest and largest group to consolidate these financial statements.

The registered office of RTX Corporation is located at 1000 Wilson Blvd., Arlington, Virginia 22209, United States of America. Copies of their financial statements are publicly available and can be obtained from www.rtx.com.

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Notes to the financial statements For the year ended 31 December 2023

28. Restatement of Prior Year Financial Statements

There has been a prior year restatement of the presentation of the net defined pension surplus on the balance sheet to correct for an error. The correction is to present the defined pension surplus within current assets to make the presentation in line with Companies Act 2006. This has increased the liabilities by £53,877,000 and increased current assets by £53,877,000. This has not impacted any other disclosure. Management have applied the FRS101 exemption for the production of a third balance sheet.

	<i>Note</i>	2022 Restated £'000	2022 Original £'000	Variance £'000
Fixed assets				
Intangible assets	11	44,352	44,352	-
Tangible assets	12	27,864	27,864	-
Right of use asset	13	5,069	5,069	-
		77,285	77,285	-
Current assets				
Stocks	14	25,614	25,614	-
Debtors	15	836,252	836,252	-
Cash and cash equivalents		6,486	6,486	-
Pensions and similar obligations	21	53,877	-	53,877
		922,229	868,352	53,877
Creditors: Amounts falling due within one year	16	(135,365)	(135,365)	-
Net current assets		786,864	732,987	53,877
Total assets less current liabilities		864,149	810,272	53,877
Creditors: Amounts falling due after more than one year	17	(112,568)	(112,568)	-
Provisions for liabilities	18	(4,498)	(4,498)	-
Pensions and similar obligations	21	-	53,877	(53,877)
Net assets		747,083	747,083	-